

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AGR-20 EB-11 EURE-00 STR-08 COME-00

OMB-01 TRSE-00 TAR-02 SS-20 SPC-03 NSC-07 CIAE-00

INR-10 NSAE-00 RSC-01 L-03 H-03 DRC-01 SSO-00 NSCE-00

INRE-00 PRS-01 CEA-02 /119 W
----- 108581

O R 271804Z MAR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 1375

INFO AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 04926

DEPARTMENT PLEASE PASS AGRICULTURE

E.O. 11652: GDS

TAGS: ETRD, EAGR, EEC, US, GW

SUBJECT: SOYBEAN CAP

1. SUMMARY: FOREIGN OFFICE STATE SECRETARY APEL SAID THE EC SOYBEAN CAP WOULD NOT AFFECT US INTERESTS. HE STRESSED THE LIMITED NATURE OF THE PROPOSAL AND NOTED THAT IT CONTAINED NO BORDER RESTRICTIONS NOR SUBSIDIES OUTSIDE THE AREA. END SUMMARY

2. FOREIGN OFFICE STATE SECRETARY APEL CALLED IN THE MINISTER THIS AFTERNOON TO INFORM US OFFICIALLY OF THE EC COUNCIL DECISION ON SOYBEANS. APEL WHO WAS WITH ASSISTANT SECRETARY HERMES AND EC AFFAIRS OFFICE
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DIRECTOR LOECK STATED THAT THE MAIN POINT THAT HE

WISHED TO EMPHASIZE WAS THAT THE DECISION DID NOT AFFECT AMERICAN INTERESTS. HE STRESSED THAT IT WAS A COMPROMISE DECISION WHICH MAY RESULT IN THE EXPENDITURE OF SOME MONEY FOR VERY LITTLE BENEFIT BUT THAT US INTERESTS WOULD NOT BE AFFECTED.

3. HERMES EMPHASIZED THAT THE SOYBEAN CAP WAS PART OF THE COMPROMISE PACKAGE PROPOSED BY THE COMMISSION. HE SAID THE FRG COULD NOT HAVE BLOCKED THE CREATION OF A SOYBEAN CAP WITHOUT HAVING CAUSED THE ENTIRE PACKAGE TO FAIL. APEL SAID THIS WAS A CRUCIAL TEST CASE FOR THE COMMUNITY AND THAT HE REGARDED IT AS A VICTORY THAT THE DECISION ON AGRICULTURAL PRICES HAD BEEN REACHED.

4. HERMES THEN OUTLINED THE MAIN ELEMENTS OF THE PROPOSAL. HE SAID THE COMMISSION WOULD PREPARE SPECIFIC PROPOSALS FOR THE COUNCIL TO ACT ON. SUBSIDIES ARE TO BE PROVIDED TO SOYBEAN PRODUCERS. A MARKETING ORGANIZATION WILL BE CREATED IN THE FUTURE. THERE ARE TO BE NO BORDER RESTRICTIONS EITHER IN THE FORM OF LEVIES OR NEW CUSTOMS DUTIES AND THE PROGRAM IS TO BE LIMITED TO EC MEMBER STATES, I.E., IT WILL NOT REPEAT NOT BE EXTENDED TO ASSOCIATED COUNTRIES.

5. APEL NOTED THAT ALTHOUGH THE PROGRAM ENVISAGES POSSIBLE FUTURE PRODUCTION OF UP TO 100,000 TONS HE DOUBTED THAT MANY FARMERS WOULD WANT TO TAKE LAND OUT OF GRAIN AND MOVE IT INTO SOYBEANS. HE SAID THAT THE FRENCH HAD ARGUED EFFECTIVELY THAT THE COMMUNITY ALREADY SUPPORTS GERMAN RAPE SEED PRODUCTION AS WELL AS OLIVE OIL PRODUCTION AND THAT THE FRENCH HAD A RIGHT TO COMMUNITY SUPPORT OF ITS SOYBEAN PRODUCTION. HE SAID THE FRG HAD ARGUED THAT GIVEN THE LIMITED AMOUNT OF PRODUCTION POSSIBLE UNDER THIS PROGRAM IT WAS NOT WORTH THE EFFORT BUT THE FRENCH REBUTTED THIS POINT BY ARGUING THAT SUCH REASONING MEANT THAT THE COMMUNITY SHOULD NOT SUPPORT OLIVE OIL PRODUCTION EITHER. APEL ADDED AS A FINAL ARGUMENT THAT THE

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MAXIMUM COST OF THE SUBSIDIES WOULD BE 5 MILLION UNITS OF ACCOUNT.

6. IN RESPONDING THE MINISTER NOTED THAT WE HAD NOT YET RECEIVED A RESPONSE FROM WASHINGTON BUT THAT WE ASSUME THAT WASHINGTON WOULD STUDY THIS DECISION CAREFULLY. HE EXPRESSED REGRET THAT IT WAS NOT POSSIBLE TO SOLVE THIS ISSUE IN A MANNER THAT TOOK

INTO ACCOUNT US INTERESTS AND HE NOTED WE CERTAINLY DO NOT NEED ANY ADDITIONAL PROBLEMS IN US/EC RELATIONS. HE SAID THERE SHOULD BE NO MISUNDERSTANDING WITHIN THE FRG ABOUT THE SERIOUSNESS WITH WHICH THE US GOVERNMENT VIEWED THIS PROPOSAL AND HE TRUSTED THAT THE FRG WOULD NOT BE SURPRISED WERE THE USG TO RESPOND WITH A STRONG NEGATIVE REACTION.

7. APEL SAID HE WOULD INDEED BE SURPRISED AT A STRONG NEGATIVE REACTION. HERMES SAID THAT IT WOULD ONLY

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 04926

BECOME A PROBLEM IF THE US MADE IT ONE. HE SAID HE CERTAINLY HOPED USG WOULD NOT TURN THIS INTO AN ISSUE OF US/ATLANTIC RELATIONS AND HE NOTED THAT THE

ORIGINS OF THIS ENTIRE ISSUE LAY IN THE US EXPORT
CONTROLS ON SOYBEANS OF LAST SUMMER.

8. LOECK STRESSED AGAIN THE LIMITED AMOUNT OF
PRODUCTION INVOLVED NOTING THAT BECAUSE OF CLIMATIC
CONDITIONS AND SEED AVAILABILITY 100,000 TONS WAS
THE ABSOLUTE UPPER LIMIT. WE RESPONDED THAT THIS
INCREASED PRODUCTION WOULD LIKELY RESULT IN A ONE-TO-
ONE LOSS OF US EXPORTS. HERMES SAID GIVEN THE GROWTH
IN WORLD DEMAND FOR PROTEINS IT WAS NOT AT ALL CLEAR
THAT THIS PRODUCTION WOULD HAVE MORE THAN A MARGINAL
IMPACT ON US SOYBEAN EXPORTS.
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9. APEL CLOSED BY STRESSING ONCE AGAIN THE LIMITED
NATURE OF THE EC PROGRAM. HE EMPHASIZED THAT THE FRG
HAD INSISTED THAT THERE BE NO BORDER MEASURES AND THAT
SUBSIDIES NOT BE EXTENDED TO PRODUCTION OUTSIDE THE
AREA. HE SAID WE HAD THE FRG'S GUARANTEE THAT THESE
FEATURES WOULD NEVER BE INCORPORATED IN ANY EC PROGRAM
ON SOYBEANS.
HILLENBRAND

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